

VZCZCXYZ0016
PP RUEHWEB

DE RUEHDG #1941/01 2291743
ZNR UUUUU ZZH
P 171743Z AUG 07
FM AMEMBASSY SANTO DOMINGO
TO RUEHC/SECSTATE WASHDC PRIORITY 8984
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUCPDO/USDOC WASHDC PRIORITY 1683
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS SANTO DOMINGO 001941

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STATE FOR WHA, WHA/CAR,
STATE PASS EX-IM BANK (DWIGHT HEROW)

E.O. 12958: N/A
TAGS: [BEXP](#) [EFIN](#) [ETRD](#) [DR](#)
SUBJECT: EX-IM BANK SEEKS REPAYMENT OF TWO LOANS FROM THE
GODR

¶1. (SBU) Summary. On July 19-20, a delegation from The Export-Import Bank (Ex-Im), led by Senior Vice President John McAdams, met with President Leonel Fernandez, Minister of Finance Vincente Bengoa Albizu and Vice Governor of the Central Bank Clarissa de la Rocha to discuss the repayment of two outstanding loan obligations. The two loans, totaling USD 9.8 million in principal plus \$3.3 million in interest, were guaranteed by Banco Intercontinental (Baninter). However, the Central Bank took over Baninter's obligations after the bank went into default in 2003. The Minister of Finance and the President both indicated they wish to see the matter resolved, but the Central Bank insisted that it could not repay the full principal and requested a 20 percent discount and no interest similar to what the Europeans were paid to resolve their outstanding obligations. In a follow-up letter dated August 7, Ex-Im indicated to the Central Bank they could accept a 20 percent discount on the principle and interest, as well as an additional 5 percent discount for the inclusion of the interest, which would total USD 9.963 million. End Summary.

Central Bank Negotiations

¶2. (SBU) During the meeting with Vice Governor of the Central Bank Clarissa de la Rocha, Ex-Im Senior Vice President John McAdams noted that Ex-Im has been discussing these two outstanding loans with the Central Bank for several years and has been very patient while the GODR recovered from the bank failures of 2003. However, McAdams said applications for new projects are being slowed down as a result of these outstanding obligations. He noted that if Ex-Im declares these loans to be in default there are certain requirements that must be implemented including notifying international organizations such as the IMF and OECD and stopping all new projects in the DR. McAdams stressed that Ex-Im has not had any repayment problems with other projects in the DR and he hopes that Ex-Im will continue to work closely with the GODR in the future. He added that it would be unfortunate to let this relatively small amount of money get in the way of a much larger portfolio of projects in the country (over USD 400 million.)

¶3. (SBU) Vice Governor de la Rocha told Ex-Im that the Central Bank has established a system to recover funds and assets from the failed banks and their borrowers in order to repay the obligations. She said that according to the law, only funds from this account can be used to repay the lenders, including Ex-Im. De la Rocha also expressed concern that the IMF would not allow the GODR to take on additional debt related to the banking crisis. She requested that Ex-Im

consider a middle ground in order to resolve the issue and suggested they offer a discount similar to the 20 percent discount given by the Europeans to resolve their outstanding obligations. At one point in the meeting De la Rocha mentioned the possibility of repayment of USD 10.9 million, which they considered to be the principal with no interest, over a period of six months or more. Ex-Im responded favorably that it could consider repayment of principal without additional interest and penalties (which brings the total to just over USD 13 million.) However, De la Rocha later insisted that the Bank could not pay the full principal amount and reiterated the need for a discount. The two sides were not able to reach agreement on the amount to be repaid. Ex-Im indicated that it would continue to be patient for a little while longer, but said the ball is in the GODR's court to offer a creative solution. In a letter dated August 7, Ex-Im sent a proposal to the Central Bank to offer a 20 percent discount on the principle and interest, as well as an additional 5 percent discount since interest is included, which would total USD 9.963 million.

14. (U) De la Rocha also mentioned that as part of the IMF agreement, the GODR needed to recapitalize the Central Bank. This was recently accomplished by issuance of \$320 million in GODR bonds. The bonds were placed with the Central Bank and carry an interest rate sufficient to reimburse the Central Bank for the Baninter losses.

Meetings with President Fernandez and Minister of Finance

15. (SBU) President Fernandez told Ex-Im there is political will to resolve the outstanding loans and put the issue aside as soon as possible. He asked Ex-Im to negotiate the interest payments since they were not part of the obligations that the Government originally took over from Baninter. Ex-Im indicated that they could negotiate the interest

payments. Ex-Im also raised the issue of the need for transparency in all Ex-Im projects. Ex-Im noted its concern over possible conflicts of interest involving actors that have dual roles in transactions. Ex-Im stressed the need for transparency, including the disclosure of relationships, and noted that this is a factor in consideration of projects. President Fernandez agreed that it was important not to have any appearance of conflicts of interest and said he would prefer not to pursue a project if there were any doubts. He said he would have the Minister of Finance follow up and requested any suggestions that Ex-Im might be able to provide on implementing guidelines.

16. (SBU) During the discussion, President Fernandez confirmed that the GODR would not move forward on a current Ex-Im loan application to acquire equipment for the police. This project made headlines in the local papers recently with allegations of over pricing. President Fernandez said he decided to put the application aside as a result of the media uproar.

17. (SBU) The Minister of Finance Vincente Bengoa Albizu told Ex-Im that while the issue of the outstanding obligations is under the authority of the Central Bank, he believes the loans should be paid. He said there would be a greater problem if the Government did not pay the loans and that he would push to have the matter resolved.

Ex-IM cleared this cable.
BULLEN